

National Forge Company Holdings, Inc.
Consolidated
Results of Operations
Strategic Long Range Forecast (A)
(dollars in thousands)

	Restated FY 1997	Restated FY 1998	Restated FY 1999	Forecast FY2000	Forecast FY2001	Forecast FY2002	Forecast FY2003
Net Sales	\$ 87,947	\$ 87,801	\$ 83,587	\$ 89,928	\$ 77,724	\$ 78,656	\$ 80,512
Cost of sales:							
Cost of Goods	64,825	67,044	65,027	70,106	63,516	63,711	66,251
Lifo adjustment	-	-	-	-	-	-	-
Errors and defects	2,325	2,274	1,674	1,982	1,768	1,755	1,758
Period costs	1,760	1,509	1,530	1,626	1,600	1,585	1,622
Research and development	44	175	133	372	276	276	276
Cost of sales	<u>68,954</u>	<u>71,002</u>	<u>68,364</u>	<u>74,086</u>	<u>67,160</u>	<u>67,327</u>	<u>69,907</u>
Gross profit	<u>18,993</u>	<u>16,799</u>	<u>15,223</u>	<u>15,842</u>	<u>10,564</u>	<u>11,329</u>	<u>10,605</u>
Gross Profit %	21.6%	19.1%	18.2%	17.6%	13.6%	14.4%	13.2%
Selling and Administrative	9,622	9,120	9,568	10,045	9,921	9,932	10,210
Operating profit	<u>9,371</u>	<u>7,679</u>	<u>5,655</u>	<u>5,797</u>	<u>643</u>	<u>1,397</u>	<u>395</u>
Operating Profit %	10.7%	8.7%	6.8%	6.4%	0.8%	1.8%	0.5%
Other expense (income)	875	1,062	784	1,349	1,278	1,176	1,201
Interest expense	2,224	1,958	2,196	1,964	1,686	1,660	1,828
Minority interest	-	(5)	(2)	28	13	18	21
Pre-tax profit	<u>6,272</u>	<u>4,664</u>	<u>2,677</u>	<u>2,456</u>	<u>(2,334)</u>	<u>(1,457)</u>	<u>(2,655)</u>
Pre-tax profit	7.1%	5.3%	3.2%	2.7%	-3.0%	-1.9%	-3.3%
Extraordinary charge	-	1,166	-	-	-	-	-
Taxes	2,251	1,297	8,096	24	23	64	262
Net Income	<u>\$ 4,021</u>	<u>\$ 2,201</u>	<u>\$ (5,419)</u>	<u>\$ 2,432</u>	<u>\$ (2,357)</u>	<u>\$ (1,521)</u>	<u>\$ (2,917)</u>
Net Income %	<u>4.6%</u>	<u>2.5%</u>	<u>-6.5%</u>	<u>2.7%</u>	<u>-3.0%</u>	<u>-1.9%</u>	<u>-3.6%</u>
Depreciation	<u>\$ 2,094</u>	<u>\$ 2,441</u>	<u>\$ 2,729</u>	<u>\$ 3,160</u>	<u>\$ 3,480</u>	<u>\$ 3,699</u>	<u>\$ 3,899</u>

Long range Forecast A

Section 7.08 Debt Service Coverage Ratio				
	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Net cash flow	9,032	(872)	1	(1,094)
Debt Service Expense	3,646	3,544	3,919	2,519
Required Covenant Ratio - Minimum Allowed	1.20	1.20	1.20	1.20

Calculated ratio	2.48	(0.25)	0.00	(0.43)
------------------	------	--------	------	--------

Compliance (Yes/No)	Yes	No	No	No
---------------------	-----	----	----	----

Section 7.09 Interest Coverage Ratio				
	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
EBITDA less capital expenditures	12,573	2,535	3,035	2,317
Cash Interest Expense	1,860	1,566	1,540	1,708
Required Covenant Ratio - Minimum Allowed	4.00	4.00	4.00	4.00

Calculated ratio	6.76	1.62	1.97	1.36
------------------	------	------	------	------

Compliance (Yes/No)	Yes	No	No	No
---------------------	-----	----	----	----

Section 7.10 Total Funded Debt to Net Cash Flow				
	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Total Funded Debt	23,296	21,108	21,789	24,016
Net Cash Flow	9,032	(872)	1	(1,094)
Required Covenant Ratio - Maximum Allowed	4.00	4.00	4.00	3.00

Calculated ratio	2.58	24.21	21,789	21.95
------------------	------	-------	--------	-------

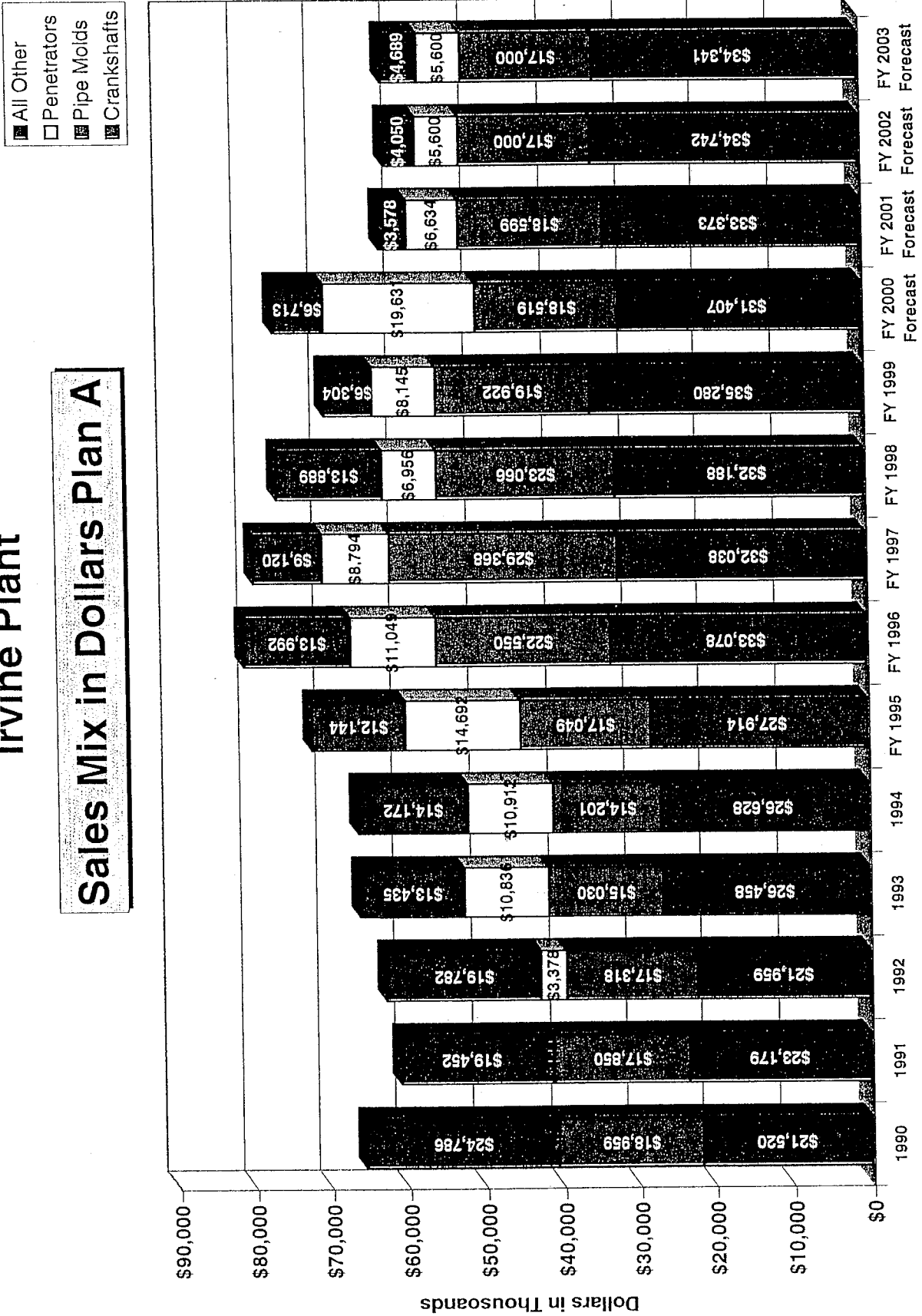
Compliance (Yes/No)	Yes	No	No	No
---------------------	-----	----	----	----

National Forge Company
Irvine Plant - only
Results of Operations
Strategic Long Range Forecast (A)
(dollars in thousands)

	Restated FY 1997	Restated FY 1998	Restated FY 1999	Forecast FY2000	Forecast FY2001	Forecast FY2002	Forecast FY2003
Net Sales	\$ 79,320	\$ 76,099	\$ 69,651	\$ 76,270	\$ 62,184	\$ 61,392	\$ 61,630
Cost of sales:							
Cost of Goods	58,306	58,114	54,287	60,129	52,113	51,076	52,410
Lifo adjustment	-	-	-	-	-	-	-
Errors and defects	2,180	2,102	1,564	1,721	1,456	1,444	1,447
Period costs	1,760	1,509	1,530	1,626	1,600	1,585	1,622
Research and development	44	175	133	372	276	276	276
Cost of sales	<u>62,290</u>	<u>61,900</u>	<u>57,514</u>	<u>63,848</u>	<u>55,445</u>	<u>54,381</u>	<u>55,755</u>
Gross profit	<u>17,030</u>	<u>14,199</u>	<u>12,137</u>	<u>12,422</u>	<u>6,739</u>	<u>7,011</u>	<u>5,875</u>
Gross Profit %	21.5%	18.7%	17.4%	16.3%	10.8%	11.4%	9.5%
Selling and Administrative	8,384	7,359	7,199	7,711	7,317	7,170	7,300
Operating profit	<u>8,646</u>	<u>6,840</u>	<u>4,938</u>	<u>4,711</u>	<u>(578)</u>	<u>(159)</u>	<u>(1,425)</u>
Operating Profit %	10.9%	9.0%	7.1%	6.2%	-0.9%	-0.3%	-2.3%
Other expense (income)	873	939	379	923	858	756	756
Interest expense	2,438	1,887	1,619	1,506	1,193	1,161	1,369
Pre-tax profit	<u>5,335</u>	<u>4,014</u>	<u>2,940</u>	<u>2,282</u>	<u>(2,629)</u>	<u>(2,076)</u>	<u>(3,550)</u>
Pre-tax profit %	<u>6.7%</u>	<u>5.3%</u>	<u>4.2%</u>	<u>3.0%</u>	<u>-4.2%</u>	<u>-3.4%</u>	<u>-5.8%</u>
Extraordinary charge	-	1,166	-	-	-	-	-
Taxes	1,830	994	8,035	-	-	-	-
Net Income	<u>\$ 3,505</u>	<u>\$ 1,854</u>	<u>\$ (5,095)</u>	<u>\$ 2,282</u>	<u>\$ (2,629)</u>	<u>\$ (2,076)</u>	<u>\$ (3,550)</u>
Depreciation	<u>\$ 1,788</u>	<u>\$ 2,062</u>	<u>\$ 2,290</u>	<u>\$ 2,671</u>	<u>\$ 2,911</u>	<u>\$ 3,037</u>	<u>\$ 3,170</u>

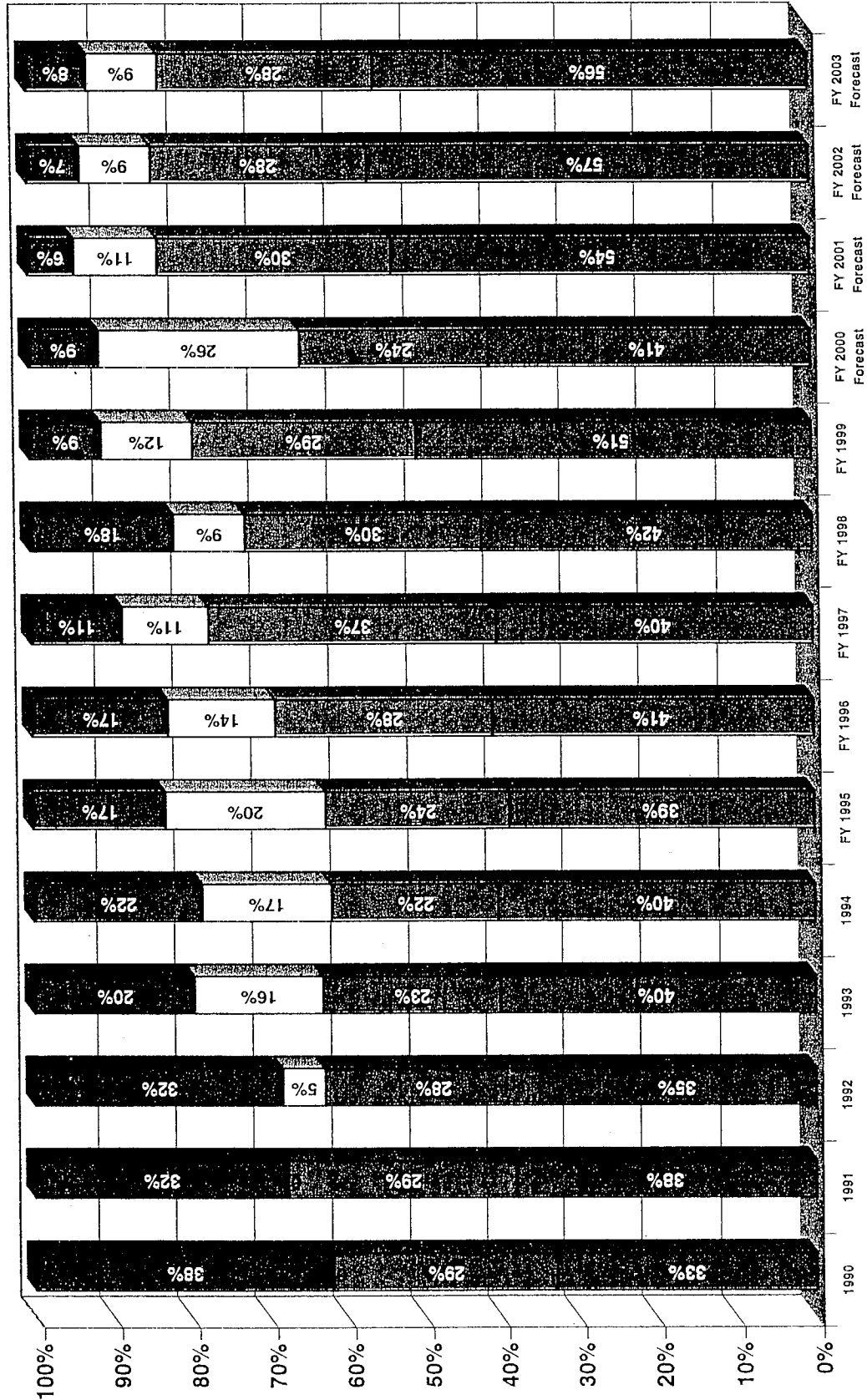
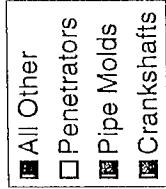
National Forge Company Irvine Plant

Sales Mix in Dollars Plan A



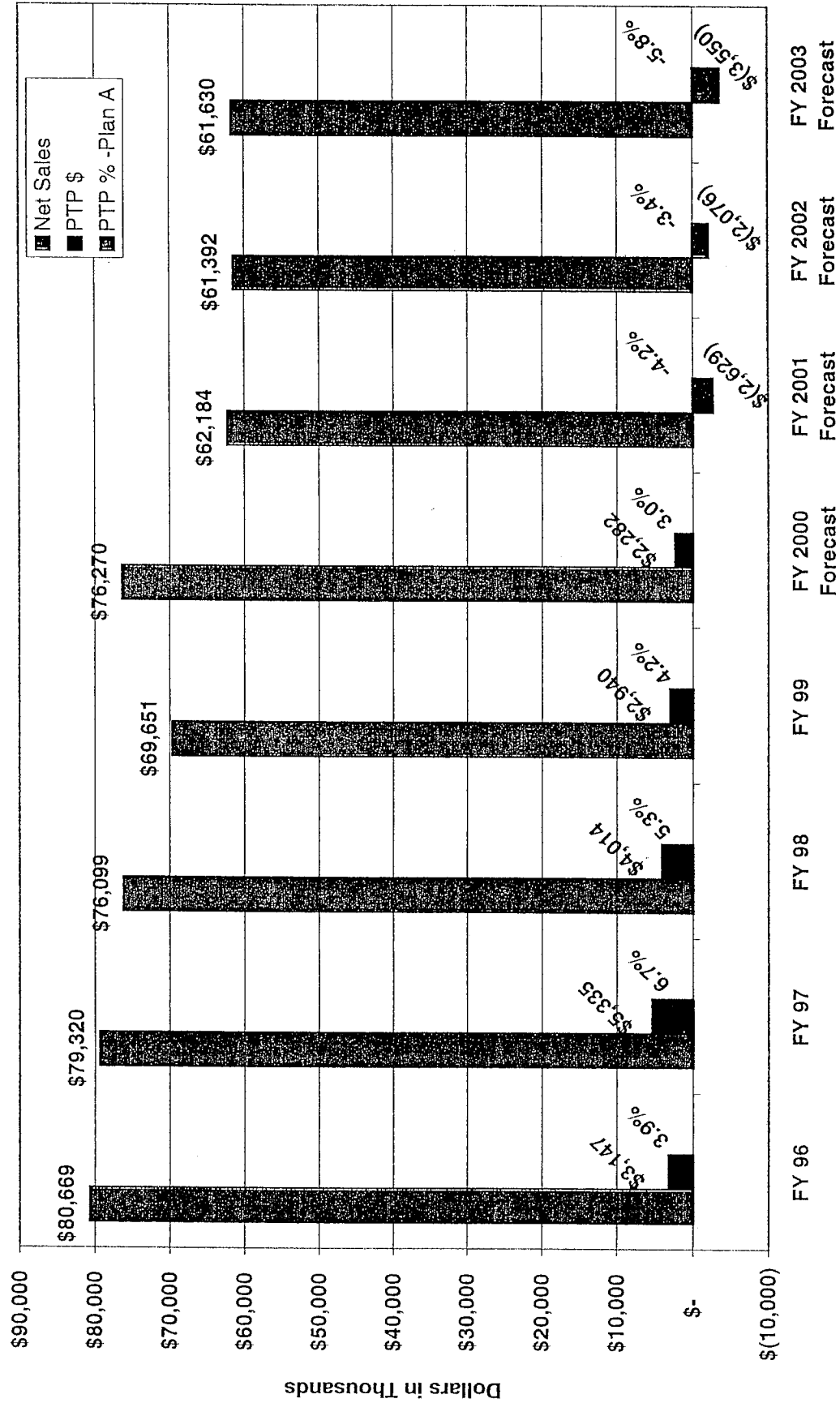
National Forge Company Irvine Plant

Sales Mix by Percent Plan A



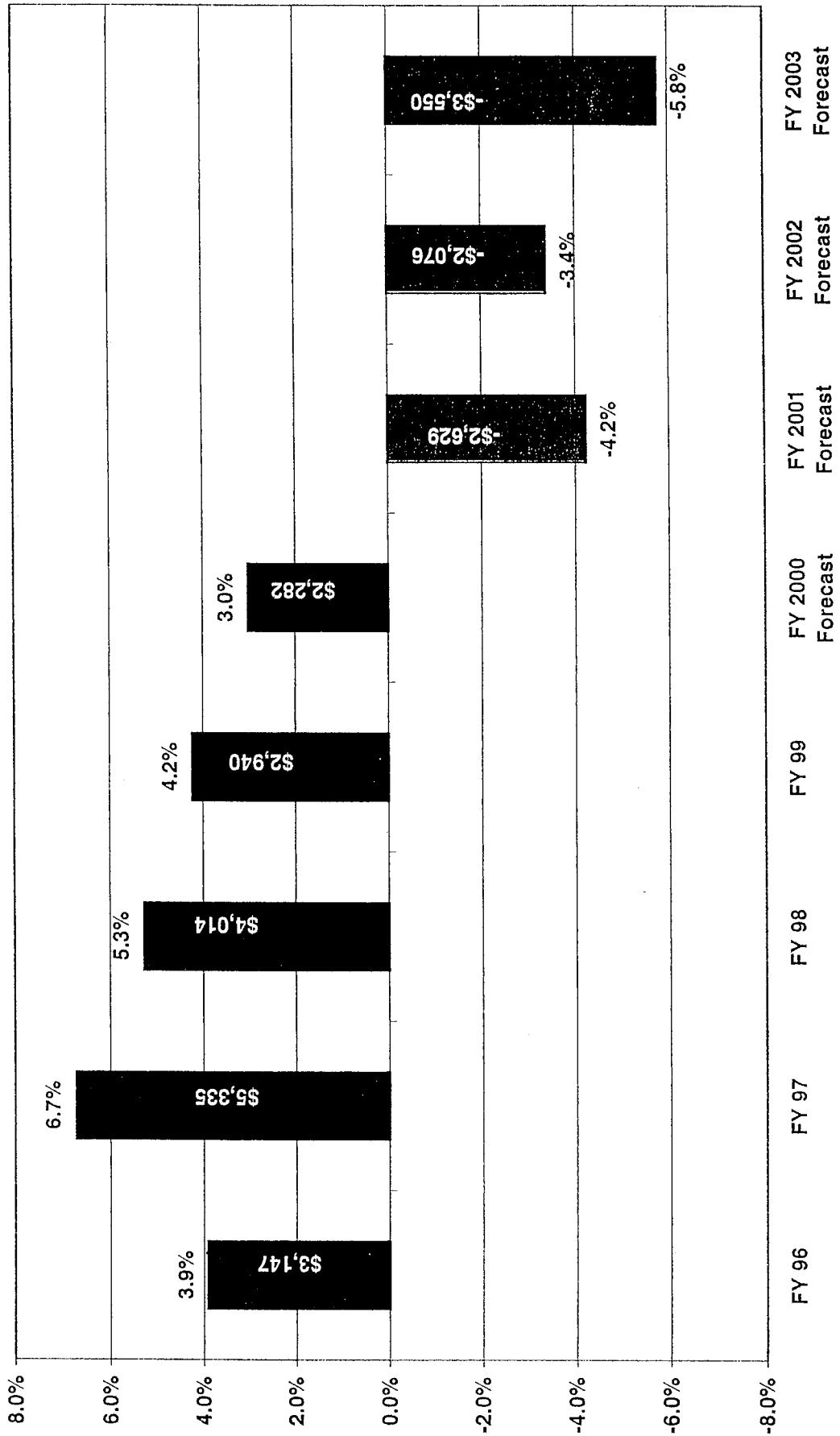
National Forge Company Irvine Plant

Forecasted Plant Sales & PTP - Plan A

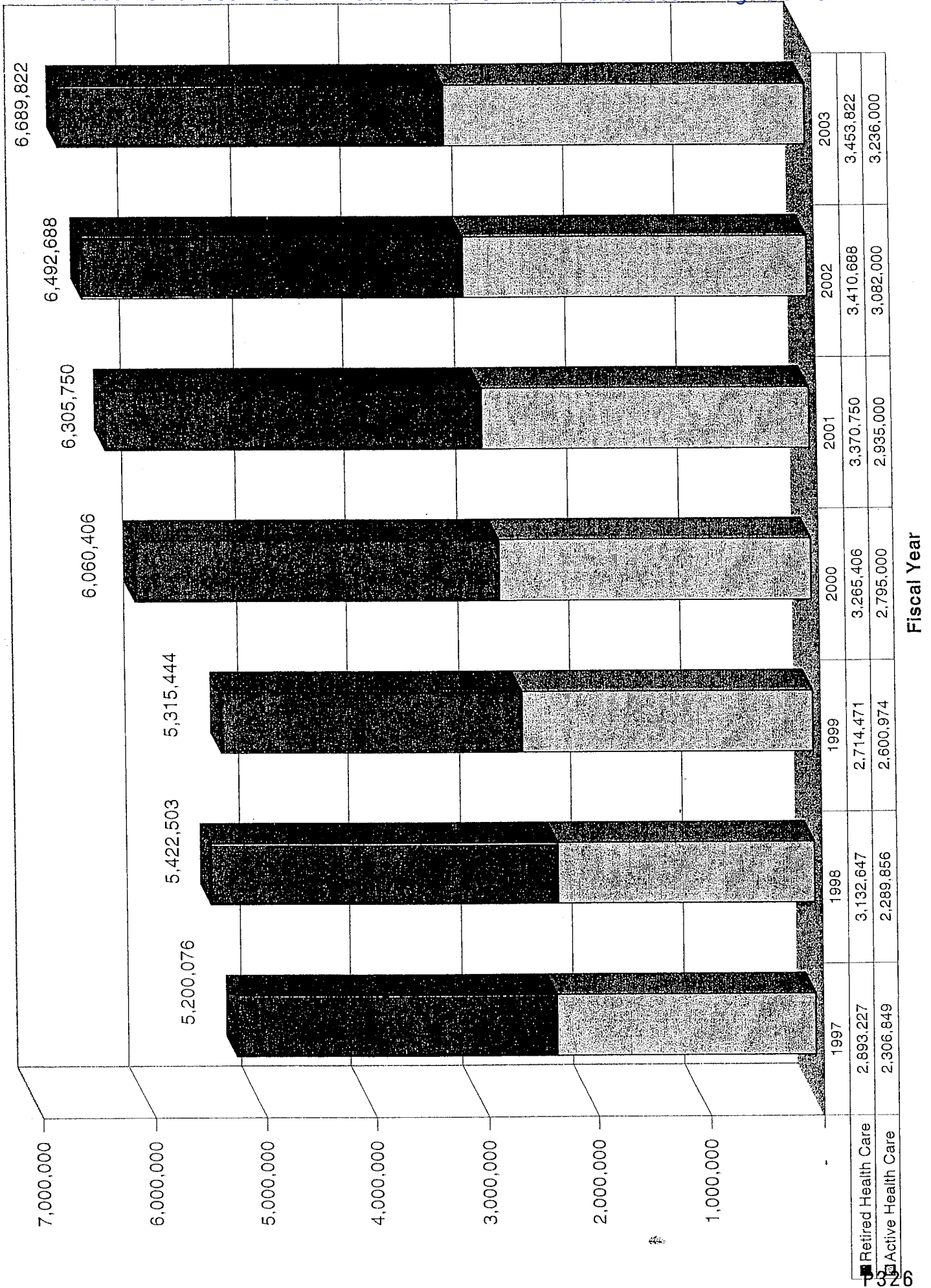


National Forge Company Irvine Plant

Forecasted PTP - Plan A



Active and Retired Health Care Expense With No Change



Fiscal Year

Retired Health Care

Active Health Care

26

National Forge Company®

Irvine Plant

FY 2000 – FY 2003

**Plan B
Reductions**

- **Products**
- **People**
- **Benefits**

**All changes in accordance with existing agreements with
employees and retirees.**

National Forge Company®

Plan B FY 2000 – FY 2003

Products to remain:

- Crankshafts
- Pipe Molds
- Paper Rolls
- Core Bars
- Ordnance – GOI
- Penetrators
- Loewy Press specials e.g. Kelly Bars
- VIM Molds

Products to be deleted:

- Metal Rolls
- Ingots and Billets
- Engineered Products
- Pressure Vessels
- Oil Field
- Electrical

National Forge Company®

Plan B

FY 2000 – FY 2003

People – Over the next 14 months an estimated 100 to 125 jobs will be eliminated at Irvine. This represents 16% - 20% of current employment levels.

National Forge Company®

Plan B FY 2000 – FY 2003

Benefits

Summary of Changes to be Implemented to Healthcare Benefits of Current Salary and Retired Salary Employees on July 1, 2000

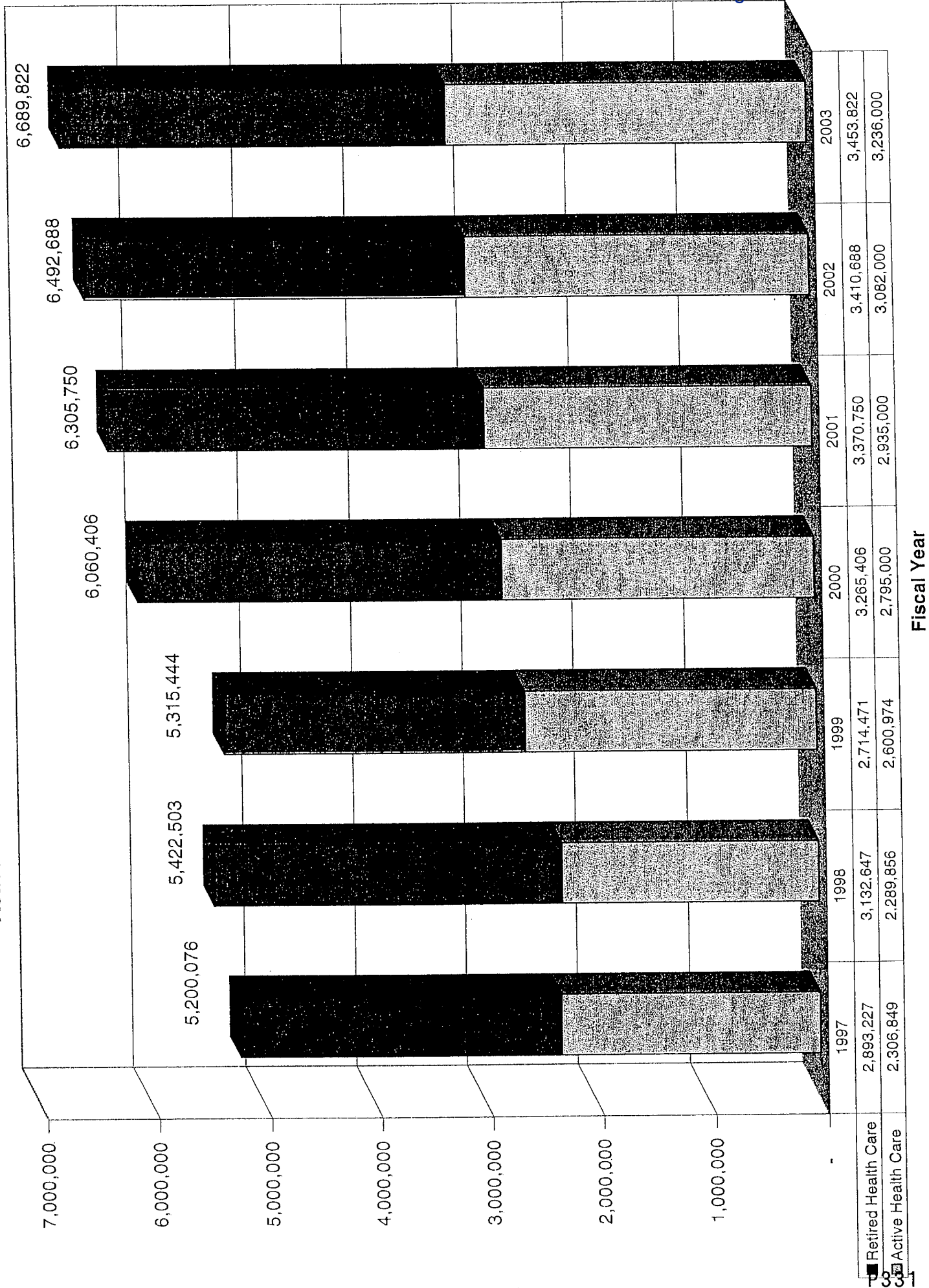
For Active Salary Employees Effective 7/1/00

- Employees will pay a portion of health care costs. The amount paid will be a percentage of the Company's premium.
- A provision to allow employees to pay the contribution on a pre-tax basis will be added.
- Estimated P&L Savings \$145,000; Cash Savings \$145,000
- Average after-tax effect \$70 per month per salary employee, estimated for FY 2001

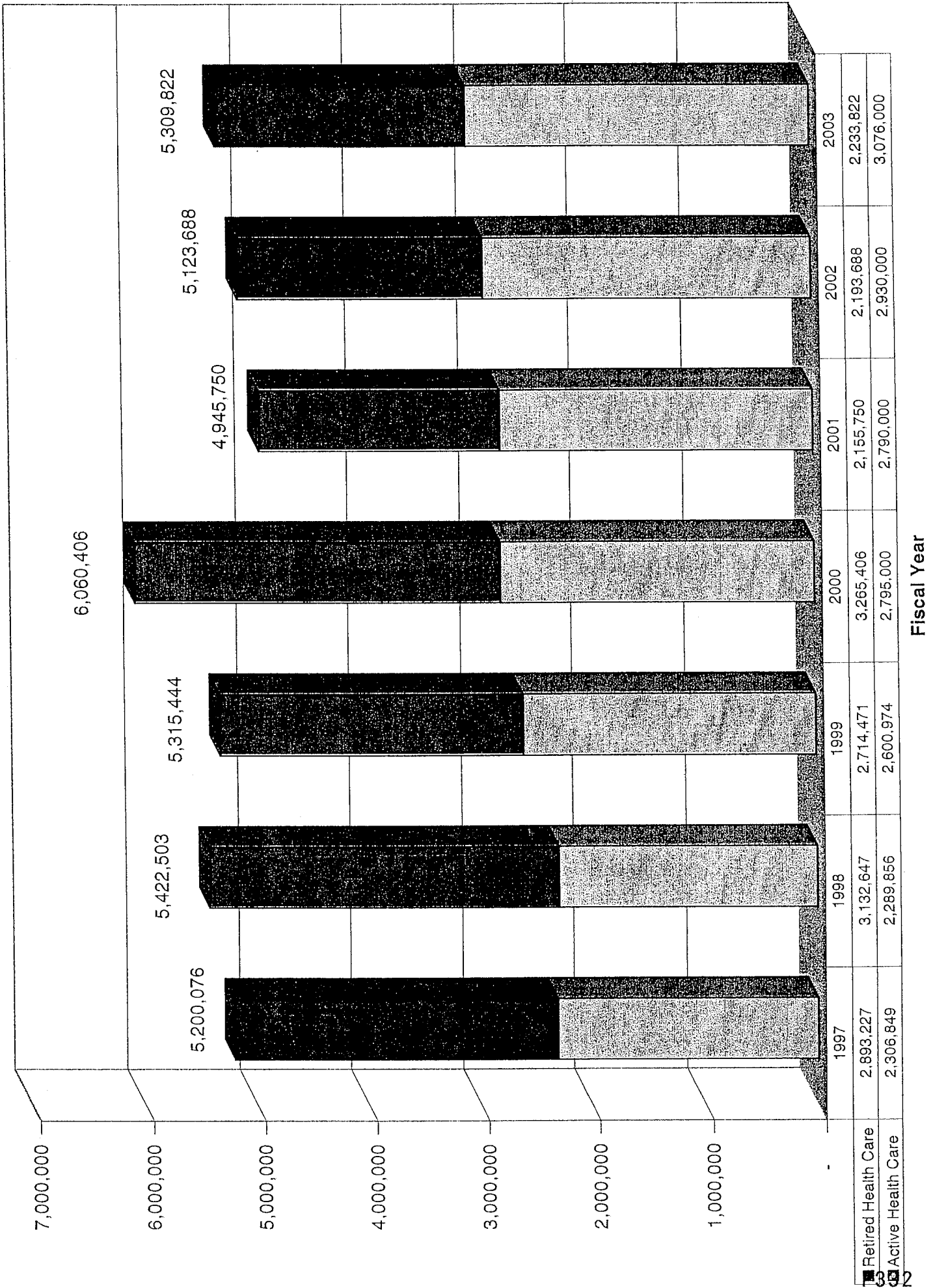
Retired Salary Employees Since 1985 Effective 7/1/00

- The Company's cost for health coverage will be capped at the Fiscal Year 2000 level. Any increases above that level will be passed on to the retiree.
- The method of taking credit for payments made by Medicare will be changed.
- All retired salary employees since 1985 will have a standard package of benefits.
- Estimated P&L Savings \$1,212,000; Cash Savings \$59,000
- Average cost to retiree approximately \$20 per month, estimated for FY 2001

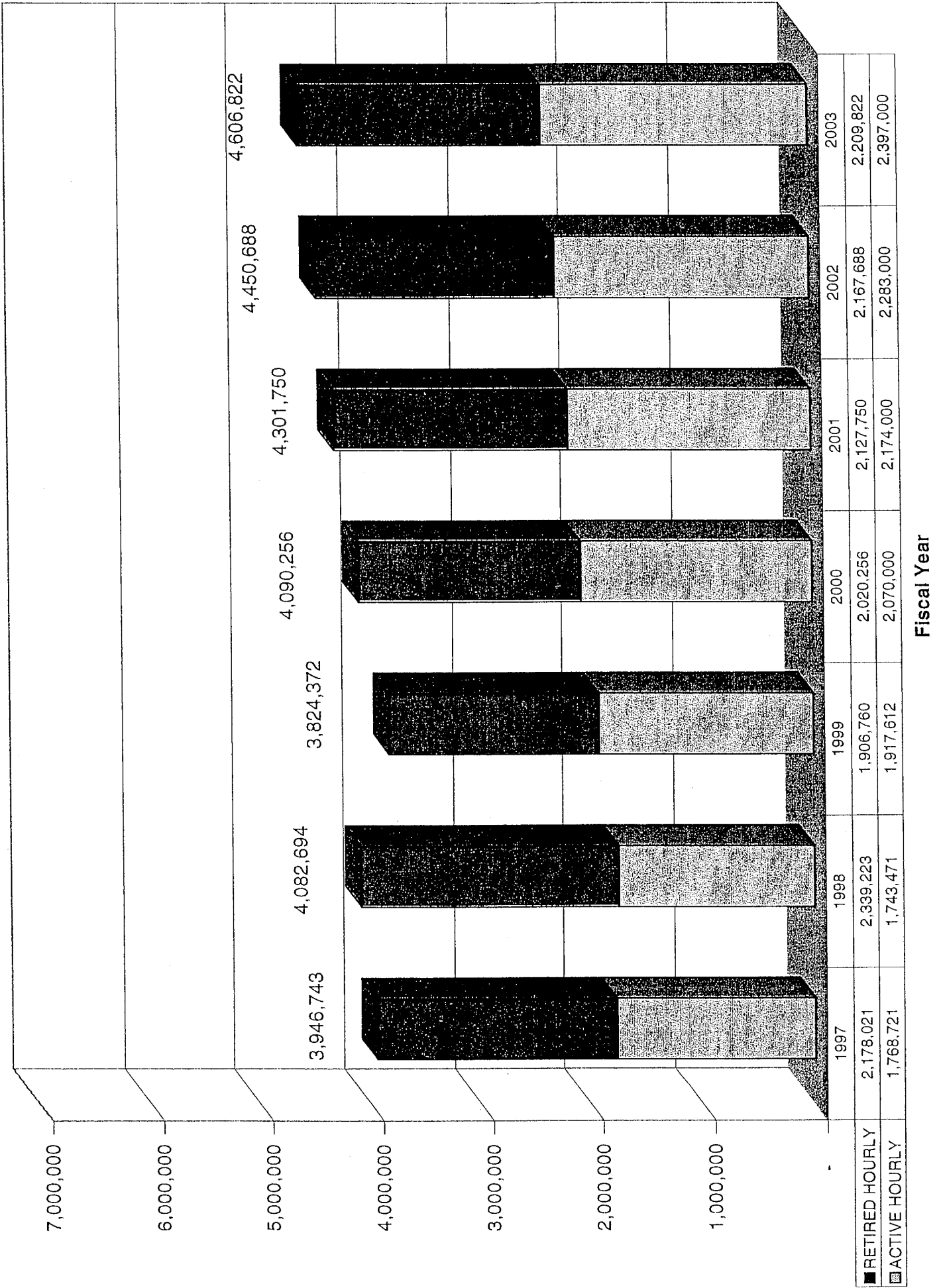
Active and Retired Health Care Expense With No Change



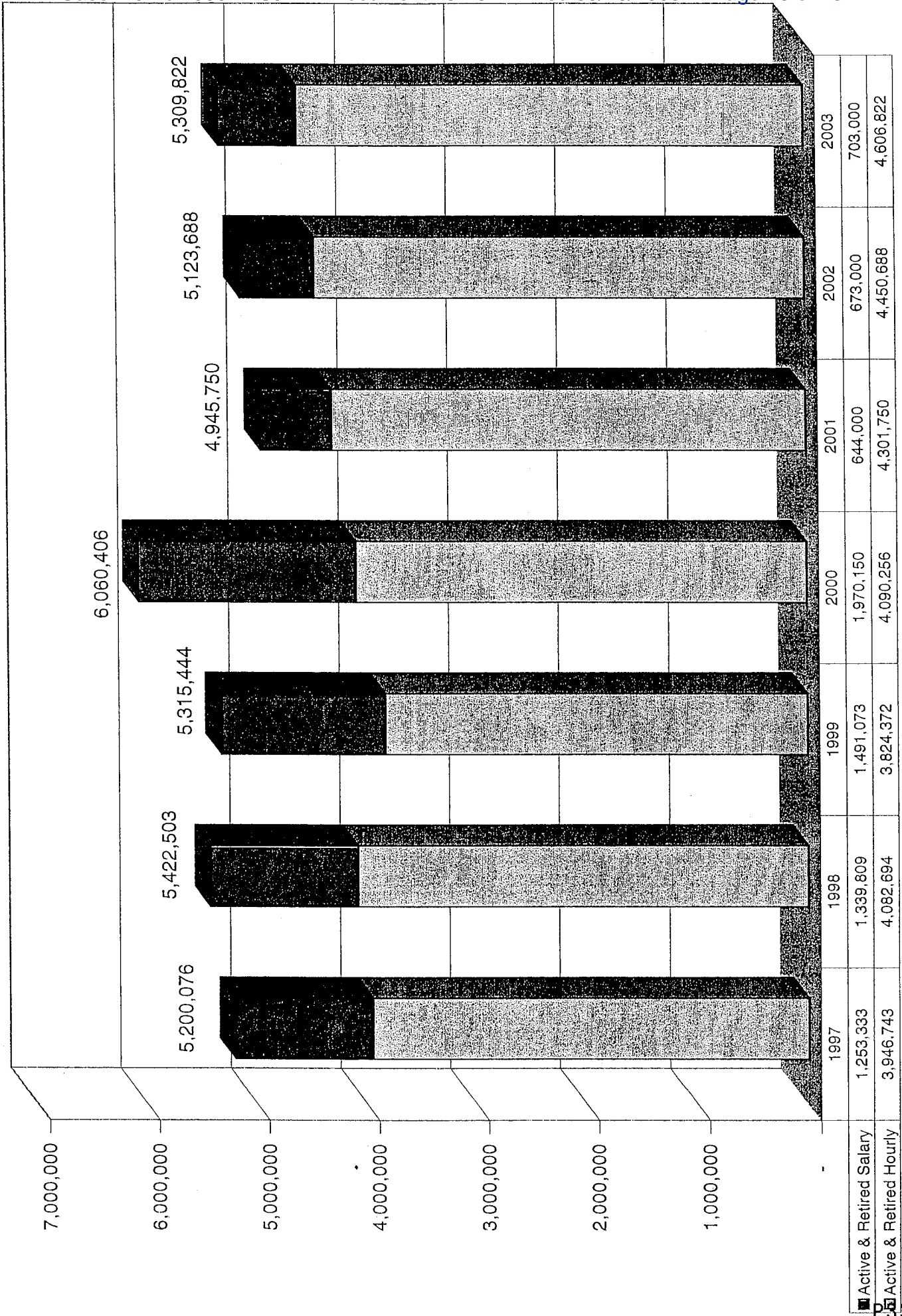
Active and Retired Health Care Expense after Changes to Salary Group



Active and Retired Health Care Expense for Hourly Employees

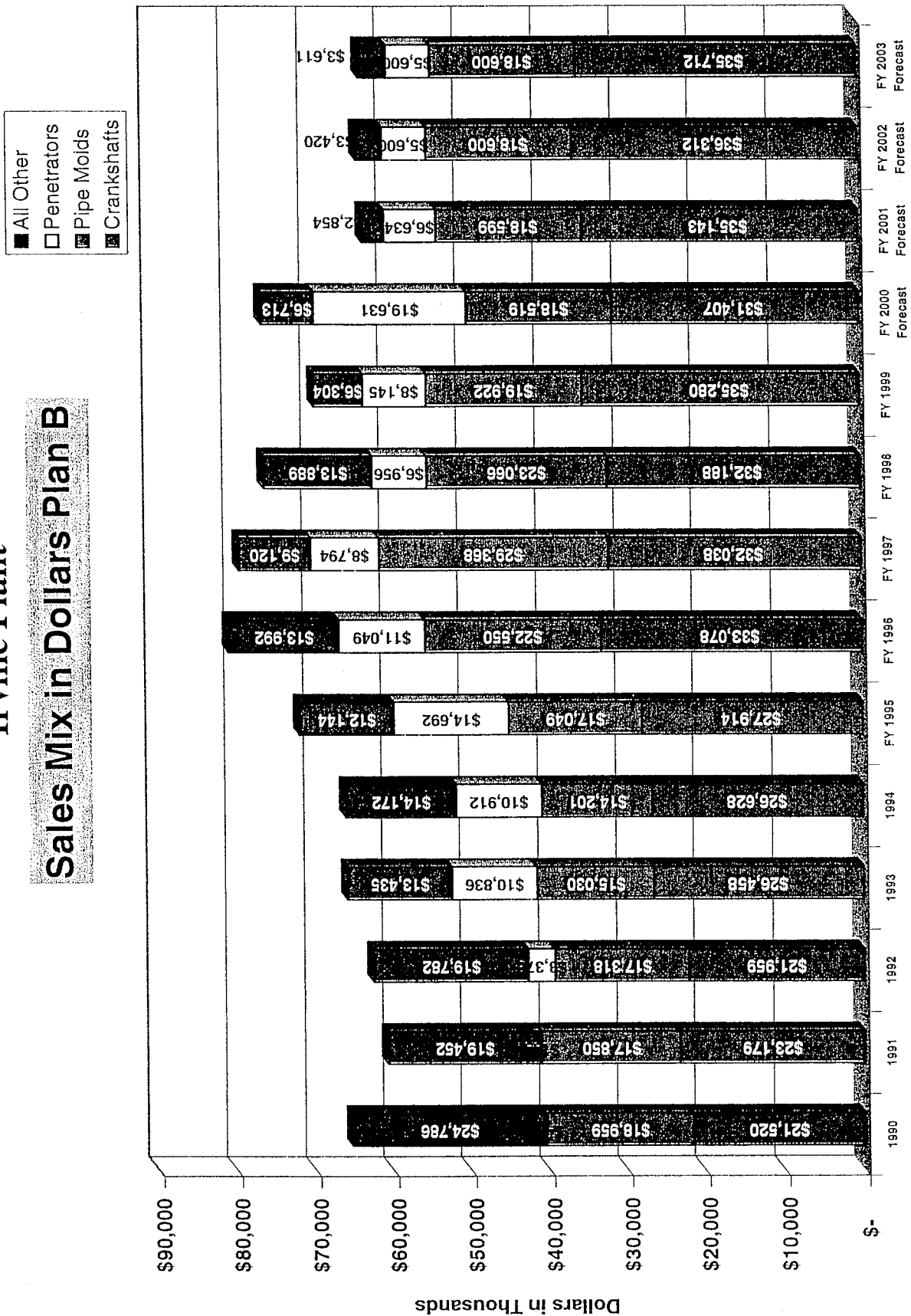


Active and Retired Health Care Expense for Hourly and Salary Employees



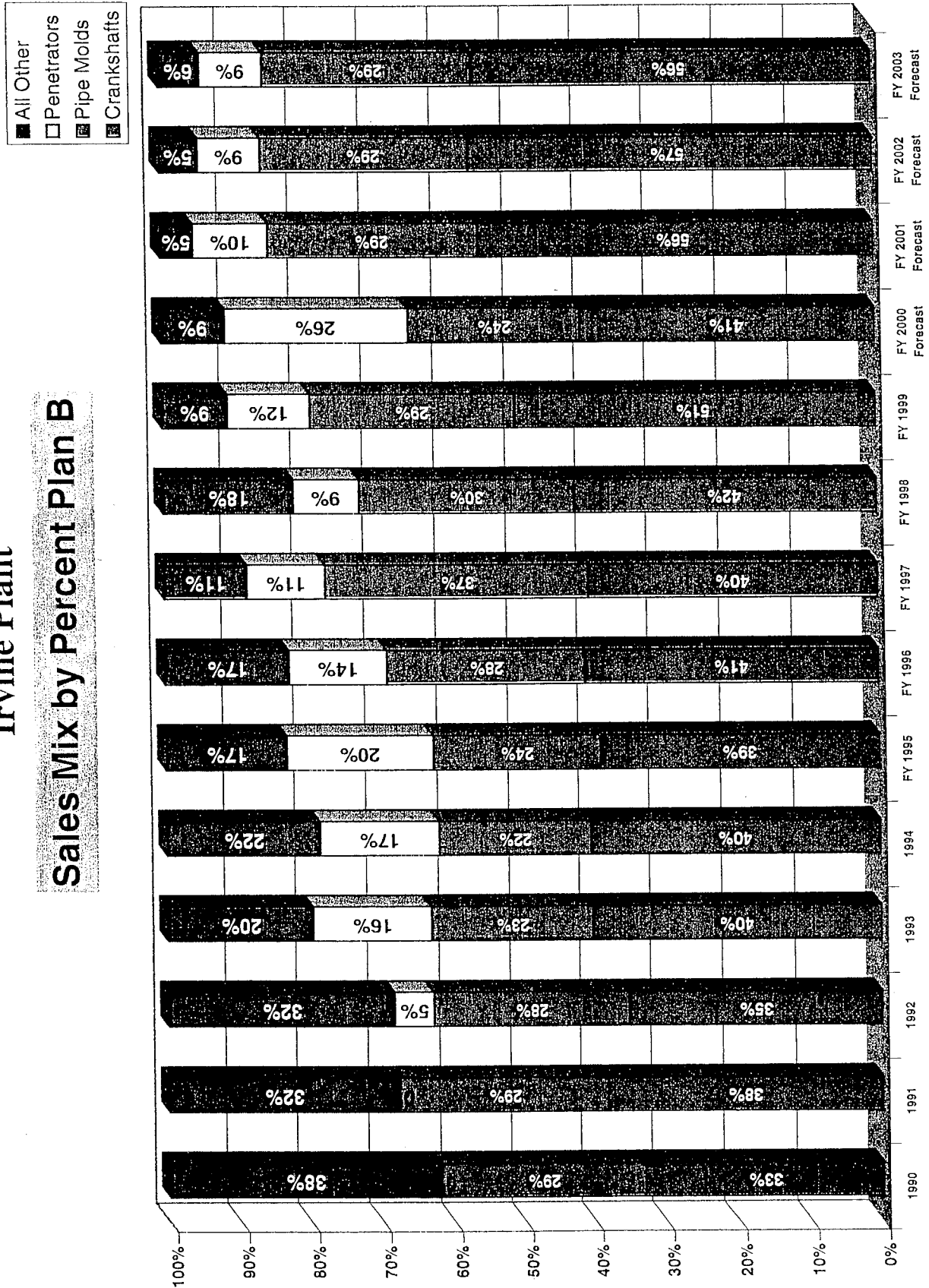
National Forge Company Irvine Plant

Sales Mix in Dollars Plan B



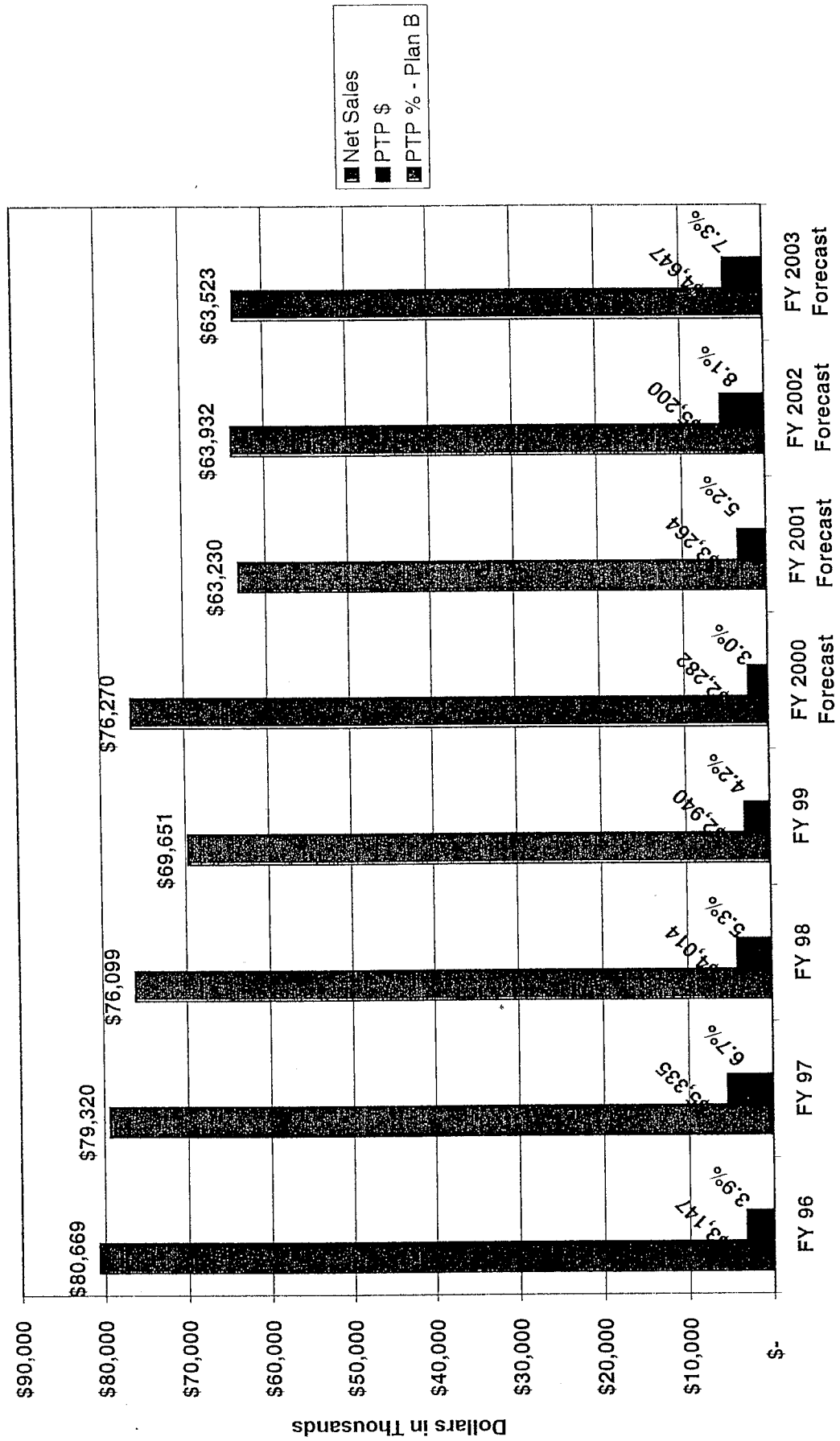
National Forge Company Irvine Plant

Sales Mix by Percent Plan B



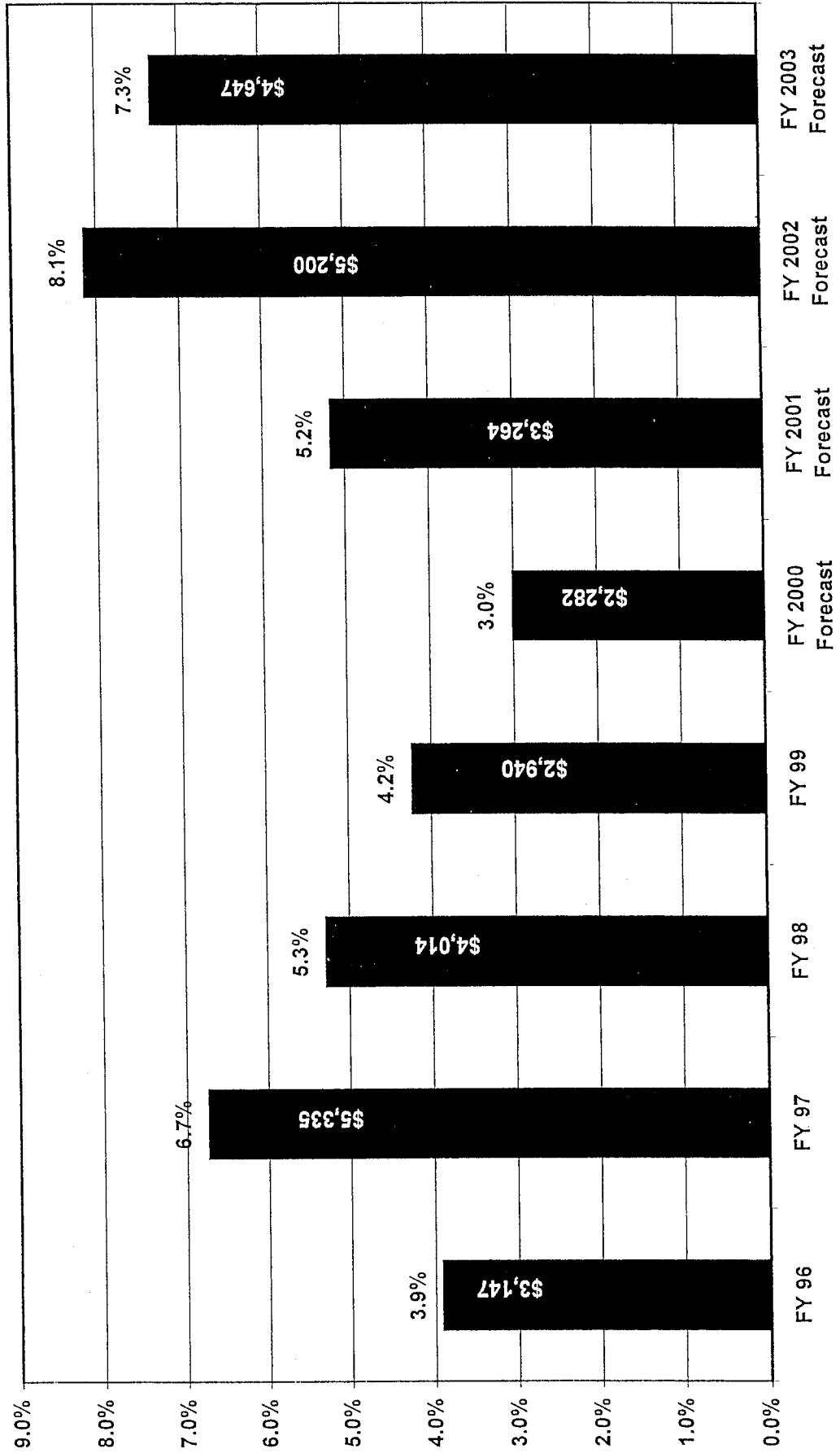
National Forge Company Irvine Plant

Forecasted Plant Sales and PTP - Plan B



**National Forge Company
Irvine Plant**

Forecasted Plant PTP - Plan B

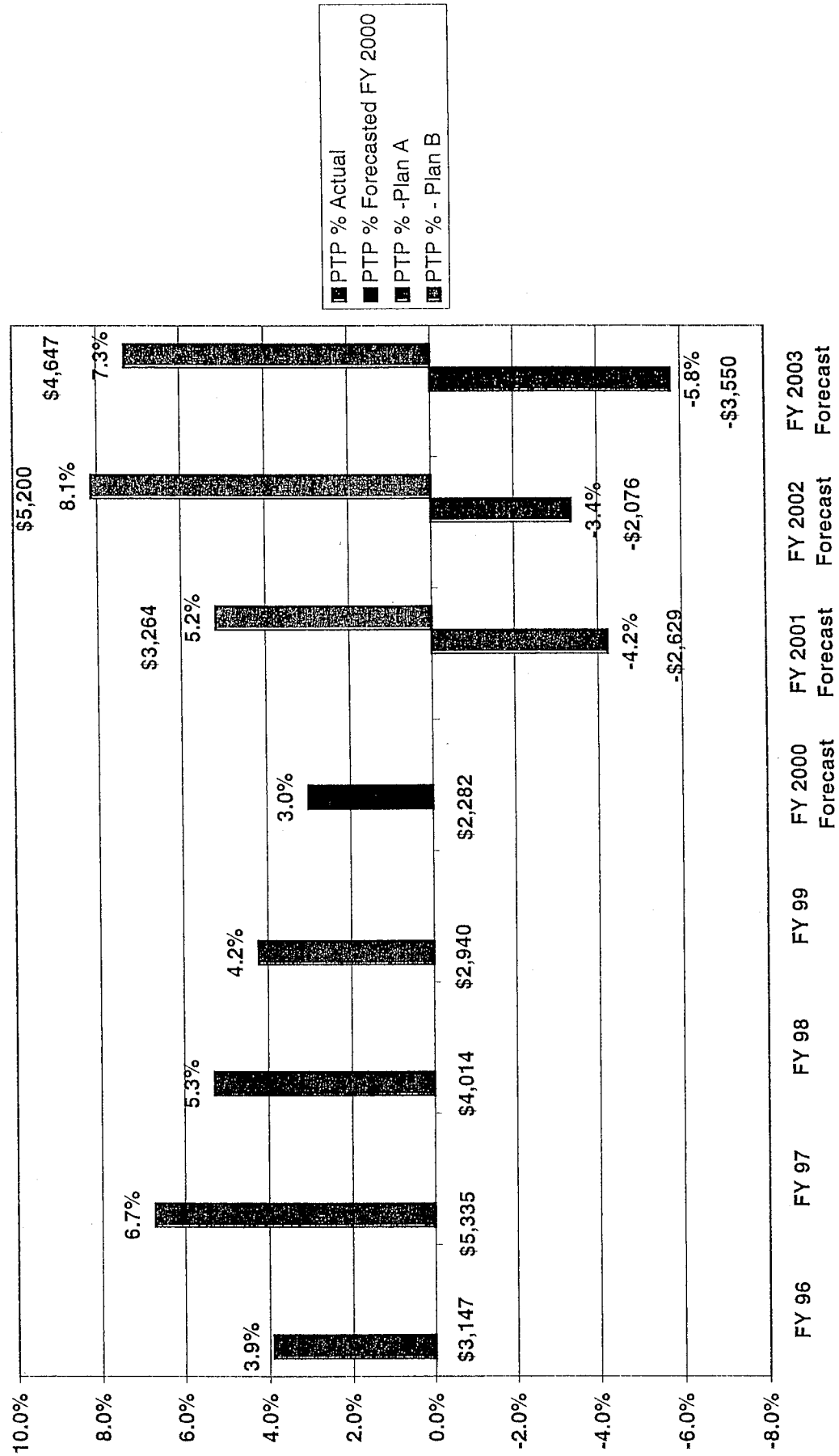


National Forge Company
Irvine Plant - only
Results of Operations
Strategic Long Range Forecast (B)
(dollars in thousands)

	Restated FY 1997	Restated FY 1998	Restated FY 1999	Forecast FY2000	Forecast FY2001	Forecast FY2002	Forecast FY2003
Net Sales	\$ 79,320	\$ 76,099	\$ 69,651	\$ 76,270	\$ 63,230	\$ 63,932	\$ 63,523
Cost of sales:							
Cost of Goods	58,306	58,114	54,287	60,129	48,350	47,882	48,291
Lifo adjustment	-	-	-	-	-	-	-
Errors and defects	2,180	2,102	1,564	1,721	1,532	1,508	1,495
Period costs	1,760	1,509	1,530	1,626	1,382	1,395	1,408
Research and development	44	175	133	372	276	276	276
Cost of sales	<u>62,290</u>	<u>61,900</u>	<u>57,514</u>	<u>63,848</u>	<u>51,540</u>	<u>51,061</u>	<u>51,470</u>
Gross profit	<u>17,030</u>	<u>14,199</u>	<u>12,137</u>	<u>12,422</u>	<u>11,690</u>	<u>12,871</u>	<u>12,053</u>
Gross Profit %	21.5%	18.7%	17.4%	16.3%	18.5%	20.1%	19.0%
Selling and Administrative	8,384	7,359	7,199	7,711	6,544	6,253	6,330
Operating profit	<u>8,646</u>	<u>6,840</u>	<u>4,938</u>	<u>4,711</u>	<u>5,146</u>	<u>6,618</u>	<u>5,723</u>
Operating Profit %	10.9%	9.0%	7.1%	6.2%	8.1%	10.4%	9.0%
Other expense (income)	873	939	379	923	858	806	781
Interest expense	2,438	1,887	1,619	1,506	1,024	612	295
Pre-tax profit	<u>5,335</u>	<u>4,014</u>	<u>2,940</u>	<u>2,282</u>	<u>3,264</u>	<u>5,200</u>	<u>4,647</u>
Pre-tax profit %	<u>6.7%</u>	<u>5.3%</u>	<u>4.2%</u>	<u>3.0%</u>	<u>5.2%</u>	<u>8.1%</u>	<u>7.3%</u>
Extraordinary charge	-	1,166	-	-	-	-	-
Taxes	1,830	994	8,035	-	-	-	-
Net Income	<u>\$ 3,505</u>	<u>\$ 1,854</u>	<u>\$ (5,095)</u>	<u>\$ 2,282</u>	<u>\$ 3,264</u>	<u>\$ 5,200</u>	<u>\$ 4,647</u>
Depreciation	<u>\$ 1,788</u>	<u>\$ 2,062</u>	<u>\$ 2,290</u>	<u>\$ 2,671</u>	<u>\$ 2,911</u>	<u>\$ 3,037</u>	<u>\$ 3,179</u>

National Forge Company Irvine Plant

Forecasted PTP Comparison - Plan A and Plan B



National Forge Company Holdings, Inc.
Consolidated
Results of Operations
Strategic Long Range Forecast (B)
(dollars in thousands)

	Restated FY 1997	Restated FY 1998	Restated FY 1999	Forecast FY2000	Forecast FY2001	Forecast FY2002	Forecast FY2003
Net Sales	\$ 87,947	\$ 87,801	\$ 83,587	\$ 89,928	\$ 80,163	\$ 83,403	\$ 84,879
Cost of sales:							
Cost of Goods	64,825	67,044	65,027	70,106	60,655	61,942	63,722
Lifo adjustment	-	-	-	-	-	-	-
Errors and defects	2,325	2,274	1,674	1,982	1,844	1,819	1,806
Period costs	1,760	1,509	1,530	1,626	1,382	1,395	1,408
Research and development	44	175	133	372	276	276	276
Cost of sales	68,954	71,002	68,364	74,086	64,157	65,432	67,212
Gross profit	18,993	16,799	15,223	15,842	16,006	17,971	17,667
Gross Profit %	21.6%	19.1%	18.2%	17.6%	20.0%	21.5%	20.8%
Selling and Administrative	9,622	9,120	9,568	10,045	9,213	9,146	9,373
Operating profit	9,371	7,679	5,655	5,797	6,793	8,825	8,294
Operating Profit %	10.7%	8.7%	6.8%	6.4%	8.5%	10.6%	9.8%
Other expense (income)	875	1,062	784	1,349	1,278	1,226	1,226
Interest expense	2,224	1,958	2,196	1,964	1,524	1,153	777
Minority interest	-	(5)	(2)	28	45	50	52
Pre-tax profit	6,272	4,664	2,677	2,456	3,946	6,396	6,239
Pre-tax profit	7.1%	5.3%	3.2%	2.7%	4.9%	7.7%	7.4%
Extraordinary charge	-	1,166	-	-	-	-	-
Taxes	2,251	1,297	8,096	24	88	255	449
Net Income	\$ 4,021	\$ 2,201	\$ (5,419)	\$ 2,432	\$ 3,858	\$ 6,141	\$ 5,790
Net Income %	4.6%	2.5%	-6.5%	2.7%	4.8%	7.4%	6.8%
Depreciation	\$ 2,094	\$ 2,441	\$ 2,729	\$ 3,160	\$ 3,481	\$ 3,741	\$ 3,942

Section 7.08 Debt Service Coverage Ratio				
	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Net cash flow	9,016	4,805	6,919	7,306
Debt Service Expense	3,646	3,639	4,219	4,126
Required Covenant Ratio - Minimum Allowed	1.20	1.20	1.20	1.20
Calculated ratio	2.47	1.32	1.64	1.77
Compliance (Yes/No)	Yes	Yes	Yes	Yes

Section 7.09 Interest Coverage Ratio				
	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
EBITDA less capital expenditures	12,541	8,115	9,637	9,853
Cash Interest Expense	1,844	1,404	1,033	657
Required Covenant Ratio - Minimum Allowed	4.00	4.00	4.00	4.00
Calculated ratio	6.80	5.78	9.33	15.00
Compliance (Yes/No)	Yes	Yes	Yes	Yes

Section 7.10 Total Funded Debt to Net Cash Flow				
	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Total Funded Debt	23,296	17,111	12,893	7,083
Net Cash Flow	9,016	4,805	6,919	7,306
Required Covenant Ratio - Maximum Allowed	4.00	4.00	4.00	3.00
Calculated ratio	2.58	3.56	2	0.97
Compliance (Yes/No)	Yes	Yes	Yes	Yes

National Forge Company Holdings, Inc.
Consolidated
Results of Operations
Strategic Long Range Forecast (A)
(dollars in thousands)

	Restated FY 1997	Restated FY 1998	Restated FY 1999	Forecast FY2000	Forecast FY2001	Forecast FY2002	Forecast FY2003
Net Sales	\$ 87,947	\$ 87,801	\$ 83,587	\$ 89,928	\$ 77,724	\$ 78,656	\$ 80,512
Cost of sales:							
Cost of Goods	64,825	67,044	65,027	70,106	63,516	63,711	66,251
Lifo adjustment	-	-	-	-	-	-	-
Errors and defects	2,325	2,274	1,674	1,982	1,768	1,755	1,758
Period costs	1,760	1,509	1,530	1,626	1,600	1,585	1,622
Research and development	44	175	133	372	276	276	276
Cost of sales	68,954	71,002	68,364	74,086	67,160	67,327	69,907
Gross profit	18,993	16,799	15,223	15,842	10,564	11,329	10,605
Gross Profit %	21.6%	19.1%	18.2%	17.6%	13.6%	14.4%	13.2%
Selling and Administrative	9,622	9,120	9,568	10,045	9,921	9,932	10,210
Operating profit	9,371	7,679	5,655	5,797	643	1,397	395
Operating Profit %	10.7%	8.7%	6.8%	6.4%	0.8%	1.8%	0.5%
Other expense (income)	875	1,062	784	1,349	1,278	1,176	1,201
Interest expense	2,224	1,958	2,196	1,964	1,686	1,660	1,828
Minority interest	-	(5)	(2)	28	13	18	21
Pre-tax profit	6,272	4,664	2,677	2,456	(2,334)	(1,457)	(2,655)
Pre-tax profit	7.1%	5.3%	3.2%	2.7%	-3.0%	-1.9%	-3.3%
Extraordinary charge	-	1,166	-	-	-	-	-
Taxes	2,251	1,297	8,096	24	23	64	262
Net Income	\$ 4,021	\$ 2,201	\$ (5,419)	\$ 2,432	\$ (2,357)	\$ (1,521)	\$ (2,917)
Net Income %	4.6%	2.5%	-6.5%	2.7%	-3.0%	-1.9%	-3.6%
Depreciation	\$ 2,094	\$ 2,441	\$ 2,729	\$ 3,160	\$ 3,480	\$ 3,699	\$ 3,899